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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**DIRECT TESTIMONY
OF
DOUGLAS F. CARLSON
(DFC-T-1)**

December 29, 1997

I. PURPOSE OF TESTIMONY

1 In this testimony, I oppose the Postal Service's proposed 23-cent combined rate
2 and fee for stamped cards. As an alternative, I propose a new rate for stamped cards
3 that reflects the lower processing costs of stamped cards and allows individual
4 customers to share in the benefits of automation.

5 I also oppose the Postal Service's proposed fee increases for post-office boxes
6 and return receipt by providing evidence of significant problems with the quality of the
7 service that the Postal Service is providing.

II. AUTOBIOGRAPHICAL SKETCH

8 For the past 13 years, I have been studying the mail-processing operations of
9 the United States Postal Service. By touring postal facilities all over the country,
10 sending test mail to myself, and examining and studying the mail I receive, I have
11 become an expert on mail processing and distribution.

12 I began studying the Postal Service while I was in high school in Santa Cruz,
13 California. My interest continued during my college years in the San Francisco Bay
14 Area and the Sacramento area. I received a bachelor's degree in economics from the
15 University of California, Berkeley, in 1990 and a law degree from Boalt Hall School of
16 Law at UC Berkeley in 1994. I have been employed as an administrative analyst at UC
17 Berkeley since 1994. I am representing myself in this case. I live in Emeryville,
18 California, a small city located between Berkeley and Oakland.

19 I provided testimony to the Postal Rate Commission on post-office-box service in
20 Docket No. MC96-3.

III. STAMPED CARDS

A. Introduction

22 The Postal Service proposes a rate of 21 cents for regular single-piece stamped
23 cards and post cards,¹ plus an additional, two-cent fee for stamped cards.² Since a
24 stamped card incurs manufacturing and processing costs of only 7.6 cents,³ the Postal

¹ USPS-T-30 at 25.

² USPS-T-39 at 87.

³ DFC/USPS-T5-2(b), Attachment I.

1 Service's proposal would create a 303-percent cost coverage for stamped cards. (In
2 contrast, private post cards incur costs of 18.7 cents,⁴ yielding a proposed cost
3 coverage of 112 percent.) A 303-percent cost coverage is unprecedented in postal
4 ratemaking.⁵ Moreover, the Postal Service has failed to justify this record-high cost
5 coverage. The proposed rate and fee is unfair and inequitable to customers who
6 purchase stamped cards. Therefore, I propose a new rate structure for stamped cards
7 that, in this case, would allow customers to purchase and mail stamped cards for a total
8 of 20 cents — the current rate.

9 **B. Discussion**

10 The Postal Service has offered several possible explanations for the cost
11 differential between private post cards and stamped cards. Witness Patelunas has
12 stated that

13 postal cards are less costly to process because they are more compatible
14 with mechanization and automation. For example, postal cards are
15 designed to a uniform size and shape for equipment compatibility, and
16 private cards are various sizes, shapes and flexibility. Also, address
17 hygiene may be better considering the uses of postal cards and private
18 cards. Postal cards might be used by businesses and organizations to
19 notify addressees of sales or upcoming events, and to the extent that the
20 addressing is done by mailing lists and computer generated labels, the
21 addresses would be clean. Private cards though, [sic] might be used to
22 send greetings from a vacation spot and as such, [sic] would probably be
23 handwritten and less clean. Another result of the different uses may be
24 that the organization use is of a more local nature; whereas, the vacation
25 greeting may be from a remote vacation site."⁶

26 Stamped cards are, indeed, more compatible with automation than private post
27 cards. For example, stamped cards meet the automation-compatibility requirements of
28 DMM §§ C810.2.1, C810.2.2, C810.5.1, C810.7.4, C830.3.4, C830.3.5, and C830.6.1–
29 C830.6.3, while some private post cards do not.⁷ Stamped cards meet the
30 background-reflectance requirement of DMM § C830.3.2, while not all private post
31 cards (such as those with deep colors) do.⁸ Picture post cards that people send while
32 on vacation often are too glossy to receive the orange RBCS ID tag on the back or the

⁴ *Id.* In this testimony, I use FY 1996 attributable costs because the Postal Service stopped collecting stamped-card data separately after FY 1996. See DFC-USPS-T5-2(b).

⁵ See DFC-USPS-4.

⁶ Docket No. MC96-3, OCA/USPS-T5-11 (this interrogatory response has been designated as evidence in Docket No. R97-1 — see POR R97-1/68 — but the transcript cite is unavailable to me).

⁷ DFC-USPS-RA-1 and 3.

⁸ DFC-USPS-RA-2.

1 black Postnet bar code on the front. (The bar code smears on the slick surface.⁹)
2 Therefore, those cards must be processed manually or run through a Letter Mail
3 Labelling Machine (LMLM)¹⁰ to apply a label to the front and/or back and then returned
4 to the RBCS system. Manual sortation is more costly than automated sortation.
5 Similarly, the LMLM step increases costs.¹¹ I rarely receive a glossy card that does not
6 have at least one label on the front or back; often, the cards have labels on both sides.
7 And, since RBCS was deployed nationwide, delivery service of glossy cards has
8 deteriorated because the cards require so many additional processing steps.

9 Another, very practical reason explains why stamped cards are more compatible
10 with automation than private post cards: by their design, stamped cards are not likely to
11 have non-address information on the front (address) side of the card. Non-address
12 information in the OCR read area¹² interferes with OCR readability.¹³ Even a glossy
13 picture post card that has a handwritten message on the left side and a typewritten
14 address on the right side may not be readable because the OCR read area is a
15 horizontal box that runs nearly the width of the mail piece¹⁴; thus, the OCR will become
16 confused by the handwriting on the left side.¹⁵ Whenever the OCR cannot resolve an
17 address on its own, processing costs increase.¹⁶ Clearly, by design and typical usage,
18 stamped cards are more compatible with automation than private post cards.

19 While the Postal Service does not have sufficient information to allow it to
20 allocate the cost differential quantitatively among these possible explanations, two facts
21 remain clear: (1) Some of the cost differential is attributable to differences in
22 automation compatibility, and mail that is compatible with automation is less expensive
23 to process than mail that is not compatible with automation; and (2) this cost differential
24 exists and is real, so regardless of the precise reasons for this cost differential,
25 stamped cards are less expensive to process than private post cards.

26 In recent cases, the Postal Service has proposed and the Commission has
27 approved rates and fees that reflect discounts for mail that is compatible with
28 automation.¹⁷ In the current case, the Postal Service proposes a 30-cent rate for

⁹ Tr. 3/773 (DFC/USPS-T23-2(c)).

¹⁰ Tr. 3/772 (DFC/USPS-T23-1(c)).

¹¹ Tr. 3/776 (DFC/USPS-T23-5(b)).

¹² DMM § C830.1.1.

¹³ DMM § C830.1.3.

¹⁴ DMM § C830.1.1.

¹⁵ DMM § C830.1.3.

¹⁶ DFC/USPS-T32-3.

¹⁷ DFC/USPS-T32-5-6.

1 Prepaid Reply Mail (PRM).¹⁸ The Postal Service supports its PRM proposal by arguing
2 that

3 [b]y recognizing some of the cost savings associated with this mail, the
4 Postal Service is able to permit the general public to more directly share
5 in the benefits of automation and to enjoy the convenience of not having
6 to affix postage to a portion of their core correspondence.¹⁹

7 The OCA's written discovery has raised serious questions about the extent to which the
8 public will benefit from PRM in any significant way (if at all).²⁰

9 Unlike PRM, my proposed 20-cent rate for stamped cards would allow every
10 member of the public to share directly in the benefits of automation simply by
11 purchasing and mailing a stamped card. Customers would be *rewarded* for using a
12 product that, in general, is more compatible with automation than private post cards.
13 Presently, I estimate that I use between 200 and 300 stamped cards per year. If the
14 Postal Service's proposal is approved, I would switch to 4" x 6" index cards, which I can
15 purchase for 0.69 cents each in a package of 500 at Office Depot or Staples or 1.40
16 cents each in a package of 100 at Office Max²¹ — less than the proposed two-cent fee
17 for stamped cards. These index cards may not be as compatible with automation as
18 stamped cards, and to the extent that they are not — and to the extent that customers
19 switch to glossy post cards or any other type of less-automation-compatible private post
20 card in response to the two-cent stamped-card fee — the Postal Service's own
21 proposal would drive its costs *up* because the proposed stamped-card fee sends
22 customers the wrong price signal.

23 In recent reclassification cases, the Commission has recognized the importance
24 of sending the correct price signal by recommending rates that reward customers for
25 producing mail that is more compatible with automation. My proposal is entirely
26 consistent with Commission precedent. In addition, while most reclassification
27 proposals have been directed at large mailers, my proposal has the added benefit of
28 allowing every individual to enjoy an automation discount by simply continuing to use
29 stamped cards or by switching from private post cards to stamped cards.

¹⁸ USPS-T-32 at 33.

¹⁹ USPS-T-32 at 37.

²⁰ See, e.g., OCA-USPS-T32-72, 82, 85, 102, and 105. While I question the extent of the benefit from PRM that the typical customer will receive, I do not believe that PRM will negatively affect any customer, either. Therefore, I do not oppose the PRM proposal.

²¹ These prices include local sales tax of 8.25 percent.

1 The rate for stamped cards should be held at 20 cents for many years until the
2 costs rise to a level that would justify a rate increase to restore a higher cost coverage.
3 My proposal seeks not only to prevent the exorbitant cost coverage that the Postal
4 Service seeks to impose in this case but also to begin, over the course of many years
5 and future rate cases, a practice of offering a lower rate for stamped cards that reflects
6 the lower processing cost of stamped cards while allowing a reasonable cost coverage.

7 Ideally, the rate for private post cards and stamped cards would be determined
8 in two steps. First, the Commission would determine the appropriate cost coverage for
9 cards. I accept the Postal Service's proposed 184-percent cost coverage for cards as a
10 starting point for developing my proposed new rate category for stamped cards, even
11 though I question why the Postal Service proposes a cost coverage for cards that is
12 only 16 percentage points less than the cost coverage for letters (184 percent versus
13 200 percent)²²; witness Threadgill persuasively explains the reasons why the statutory
14 value-of-service criterion mandates a lower cost coverage for cards in this case.²³ In
15 any event, the rate for private post cards would be set based on whichever markup for
16 cards ultimately is determined. The processing-cost portion of the rate for stamped
17 cards also would be set based on the markup for cards. In this case, applying an 84-
18 percent markup to stamped cards would yield a tentative rate of 14 cents.²⁴ Next, the
19 Commission would determine the appropriate markup for the manufacturing cost of
20 stamped cards, considering the value of the preprinted postage. In this case, the
21 Postal Service has proposed a 200-percent markup,²⁵ increasing the "fee" for
22 manufacturing the card from one cent to two cents. The rate for stamped cards would
23 then be 16 cents (14 cents plus two cents). If the Commission determined that a lower
24 cost coverage for cards was justified, the cost coverage for the processing-cost portion
25 of stamped cards — and thus the rate — would be reduced accordingly.

26 I would have proposed a 16-cent rate for stamped cards, but the revenue effects
27 would have been very large. Since I have no prior experience in omnibus rate cases, I
28 was concerned that this large effect on net revenue might jeopardize the viability of my
29 proposal. In contrast, my proposal to hold the rate for stamped cards at 20 cents —
30 and to allow the Postal Service to continue selling its existing stock of 20-cent stamped
31 cards — would have only a modest effect on net revenue (a decrease of not more than
32 \$21.931 million). For this case, the Commission should recommend my proposal to

²² USPS-T-30 at 22 and 25.

²³ APPA-T-1 at 10-12.

²⁴ $(0.076) (1.84) = \$0.14$.

²⁵ USPS-T-39 at 89.

1 hold the rate for stamped cards at 20 cents and encourage the Postal Service, in future
2 cases, to re-examine ratemaking for the entire Stamped Cards and Post Cards
3 subclass to recognize the variability in the attributable costs for stamped cards, private
4 post cards, and presort cards. I support the spirit of the proposals contained in witness
5 Threadgill's testimony, although he and I differ on the specifics because I believe that
6 rates for stamped cards, private post cards, and presort cards should be set separately,
7 since each category has significantly different attributable costs.

8 The changes that I propose to the rate schedule and Domestic Mail
9 Classification Schedule are listed on page 7 of my testimony. As the summary
10 indicates, I elected to remove the fee schedule that provides a stamped-card fee. I
11 believe that a single rate for stamped cards that includes the manufacturing costs
12 would create less confusion for customers than a rate structure such as the Postal
13 Service's proposed rate structure in which one rate existed for mailing a stamped card
14 and another fee applied to the purchase of the card. Window and vending-machine
15 sales would benefit by avoiding confusion if 20 cents postage were imprinted on
16 stamped cards and the cards did, in fact, sell for 20 cents. I could have maintained the
17 separate stamped-card fee as well as a 20-cent total rate and fee for stamped cards by
18 setting the rate for stamped cards at 18 cents and imposing a two-cent fee for the
19 stamped card. However, I concluded that the benefits of having a single, combined
20 rate outweighed any benefit from a separate stamped-card fee. As long as the
21 Commission, Postal Service, and participants understand how the rate for stamped
22 cards should be derived — that is, by separately calculating the markup for processing
23 costs and the markup for the manufacturing costs, then combining the two numbers —
24 no benefit exists in burdening the public with both a rate and a separate fee.

25 **C. Statutory Pricing Criteria**

26 My proposal involves a change in a rate and changes in the Domestic Mail
27 Classification Schedule. Therefore, I will analyze the merits of my proposal under the
28 relevant subsections of 39 U.S.C. §§ 3622(b) and 3622 (c).

29 Most importantly, and especially when contrasted with the Postal Service's
30 proposal, my proposal is fair and equitable under §§ 3622(b)(1) and 3622(c)(1). A rate
31 or fee is fair if, among other factors, the rate or fee is reasonably related to the cost of
32 providing the service. My proposed rate of 20 cents for stamped cards attempts to
33 keep the rate for stamped cards at a level that bears some relation to the cost of
34 providing the service, 7.6 cents.²⁶ If my proposal is approved, the cost coverage for

²⁶ DFC/USPS-T5-2(b), Attachment I.

**PROPOSED CHANGES TO RATE SCHEDULE
AND DOMESTIC MAIL CLASSIFICATION SCHEDULE**

**FIRST-CLASS MAIL
RATE SCHEDULE 222
Stamped Cards and Post Cards**

	Proposed Rate (cents)	Current Rate (cents)
CARDS		
Regular		
Single-Piece <u>Post Cards</u>	21.0	20.0
<u>Single-Piece Stamped Cards</u>	20.0	20.0

* * *

Schedule SS-19A — Stamped Cards

Description	Fee (in addition to postage)
Stamped Card	\$0.00
Double Stamped Card	\$0.00

I oppose the Postal Service's proposed change to DMCS § 271(b)²⁷ and the Postal Service's proposed new Fee Schedule 962.²⁸ I also question the Postal Service's request to rename the Stamped Cards and Post Cards Subclass as the Cards Subclass, since my proposal treats the two types of cards as separate items.²⁹

²⁷ Request for Opinion and Recommended Decision, Attachment A at 19.

²⁸ *Id.* at Attachment B at 64.

²⁹ *Id.* at Attachment A at 13.

1 stamped cards will be 263 percent. Witness Needham has already testified that a cost
2 coverage of 254 percent for stamped cards would be sufficient.³⁰ This cost coverage is
3 higher than the 184-percent cost coverage that the Postal Service proposes for First-
4 Class Mail cards,³¹ but a somewhat-higher cost coverage is justified because the
5 convenience of preprinted postage on stamped cards adds some value to stamped
6 cards.³² Whether the cost coverage for stamped cards should be higher than the cost
7 coverage for First-Class Mail letters, 200 percent,³³ is questionable, however, since
8 letters carry more correspondence and offer more privacy than cards.³⁴ Nevertheless,
9 since the Postal Service's proposal would create a cost coverage of 303 percent,³⁵ my
10 proposal lowers the cost coverage to a more-reasonable level; the Commission may
11 find that an even-lower rate for stamped cards is appropriate.

12 The Postal Service's proposal for stamped cards is indefensible, unfair, and
13 inequitable. In the 26 years since the Postal Reorganization Act of 1971, the Postal
14 Service Board of Governors has never approved, and the Postal Service has never
15 implemented, a cost coverage higher than 275 percent.³⁶ The Postal Service has
16 failed in this case to explain why a cost coverage of 303 percent for stamped cards is
17 justified. An explanation would need to specify why stamped cards supposedly have a
18 value of service higher than the value of any other service, such as First-Class Mail
19 letters. The Postal Service has provided no such explanation. Absent an explanation,
20 the Postal Service's proposal to impose a cost coverage on stamped cards that is 51.5
21 percent higher than the cost coverage for First-Class Mail letters is inequitable. The
22 Postal Service also has failed to explain why users of stamped cards should be subject
23 to a markup of 203 percent — the highest markup in history. For this reason, the
24 Postal Service's proposal is unfair.

25 My proposal will prevent a 303-percent cost coverage for stamped cards in this
26 case and lay the groundwork for a lower rate for stamped cards in future cases as well.

27 Sections 3622(b)(2) and 3623(c)(2) direct the Commission to consider the value
28 of stamped cards. As I explained above, the cost coverage for stamped cards should

³⁰ Tr. 3/754.

³¹ USPS-T-30 at 25.

³² USPS-T-39 at 89.

³³ USPS-T-30 at 22.

³⁴ USPS-T-30 at 25; *see also* APPA-T-1 at 10-12.

³⁵ $(\$0.23/\$0.076) (100\%) = 303\%$.

³⁶ DFC/USPS-4.

1 be considered in relation to the cost coverage for First-Class Mail cards and First-Class
2 Mail letters. My proposed cost coverage of 263 percent is higher than the cost
3 coverage for cards — 184 percent. Since the preprinted postage adds value and
4 justifies a cost coverage that is higher than the cost coverage for private cards, a
5 higher cost coverage is justified. I question, however, whether stamped cards should
6 have a significantly higher cost coverage than letters, since letters carry more
7 correspondence and offer greater privacy than cards.³⁷

8 Section 3622(b)(4) requires the Commission to consider the effect of a rate
9 increase on the general public and businesses. Households and small businesses or
10 organizations used stamped cards for a variety of correspondence.³⁸ The Postal
11 Service's proposal for a 303-percent cost coverage fails to explain why these users
12 should be subject to the highest cost coverage in the history of postal ratemaking. My
13 proposal lowers this cost coverage and, therefore, appropriately prevents an unjustified
14 rate increase.

15 Lastly, § 3623(c)(5) considers the "desirability of special classifications from the
16 point of view of both the user and of the Postal Service." As I explained in § III.B.,
17 *supra*, my proposed "Stamped Cards" rate is desirable for both customers and the
18 Postal Service. Customers will benefit from a lower rate for stamped cards that reflects
19 the lower processing costs of stamped cards, thus allowing them to share more directly
20 in the benefits of automation. This lower rate also will send the proper price signal to
21 customers, encouraging them to use a product that is more compatible with automation
22 than private post cards. When customers use stamped cards instead of private post
23 cards, the Postal Service benefits because stamped cards have a higher cost coverage
24 (and lower costs) than private post cards (112 percent³⁹ versus my proposed 263
25 percent). This classification will lower costs, thus benefiting customers and the Postal
26 Service. This classification is highly desirable under § 3623(c)(5).

27 **D. Volume and Revenue Analysis**

28 As the volume and revenue analysis in table 1 on page 11 indicates, my
29 proposal will cause net revenue to decline by \$21,930,510. This analysis uses witness
30 Tolley's elasticities to calculate (1) the change in the TY 1998 after-rates stamped-card
31 volume caused by a decrease in the price from 23 cents to 20 cents and (2) the change

³⁷ USPS-T-30 at 25; see also APPA-T-1 at 10-12.

³⁸ USPS-T-6 at 66-67.

³⁹ See USPS-T5-2(b), Attachment I, which indicates that the attributable cost for a private post card is \$0.187.

1 in the TY 1998 after-rates First-Class Mail single-piece letters volume caused by a
2 decrease in the price of stamped cards from 23 cents to 20 cents.

3 If my proposal is implemented, the three-cent price differential between stamped
4 cards and private post cards will cause some customers to shift from private post cards
5 to the lower-priced stamped cards. I did not calculate this effect because I do not have
6 the cross-price-elasticity of demand between stamped cards and private post cards.
7 However, this shift in volume will cause the Postal Service's net revenue to *increase*
8 because the net revenue for a stamped card will be over five times higher than the net
9 revenue for a private post card.⁴⁰ My calculation of a \$21,930,510 decline in net
10 revenue overestimates the decline in net revenue.

11 In addition, the Postal Service's own proposal overestimates the net revenue for
12 stamped cards. If the Postal Service sold stamped cards for 23 cents but charged only
13 21 cents for mailing a private post card, some customers would switch from stamped
14 cards to private post cards. The Postal Service's revenue would decline because
15 customers would be switching from a product that has a high cost coverage (stamped
16 cards) to a product that has a low cost coverage (private post cards). Thus, the Postal
17 Service's own volume and revenue estimates, on which I based my calculations,
18 overestimate the net revenue from the proposed two-cent stamped-card fee.

19 In summary, the substitution effect between stamped cards and private post
20 cards that my proposal would generate will have a positive effect on net revenue. The
21 Postal Service's proposed stamped-card fee also would cause a substitution effect, but
22 this effect would have a negative effect on net revenue. Since neither effect is included
23 in my calculation of a \$21,930,510 decline in net revenue, my proposal will cause a
24 significantly smaller decline in net revenue than \$21,930,510; however, I cannot
25 quantify the precise amount.

⁴⁰ See DFC/USPS-T5-2(b), Attachment I.

TABLE 1
VOLUME AND REVENUE ANALYSIS
(in millions)

	Single-Piece Letters	Stamped Cards	Single-Piece Private Cards
TY 1998 AR Volume Before Proposal	54,519.485 ⁴¹	583.005 ⁴²	2,476.656 ⁴³
Adjustments			
Own-Price Elasticity		12.768 ⁴⁴	
Cross-Price Elasticity w/Stamped Cards	(35.438) ⁴⁵		
Cross-Price Elasticity w/Private Cards		Not available	
Cross-Price Elasticity w/Stamped Cards			Not available
TY 1998 AR Volume After Proposal	54,484.047	595.780 ⁴⁶	2,476.656 ⁴⁷
Change in Net Revenue	(\$6,024,460) ⁴⁸	(\$15,906,050) ⁴⁹	0

⁴¹ USPS-T-6 at 62.

⁴² USPS-T-6 at 67.

⁴³ USPS-T-6 at 73.

⁴⁴ Own-price elasticity is -0.168. USPS-T-6 at 65, Table 4. $\% \Delta V = (-0.168) (\% \Delta P) = (-0.168) (-13.04\%) = 2.191\%$.
 $\Delta V = (583.005) (.02191) = 12.768$.

⁴⁵ Cross-price elasticity is 0.005. USPS-T-6 at 38, Table 2. $\% \Delta V = (0.005) (\% \Delta P) = (0.005) (-13.04\%) = -0.065\%$.
 $\Delta V = (54,519.485) (0.00065) = 35.438$.

⁴⁶ This volume estimate does not include the likely increase in stamped-card volume due to a substitution effect between stamped cards and private cards. I do not have the cross-price elasticity of demand between stamped cards and private cards that would be necessary to estimate this substitution effect.

⁴⁷ This volume estimate does not include the likely decrease in private-card volume due to a substitution effect between private cards and stamped cards. I do not have the cross-price elasticity of demand between private cards and stamped cards that would be necessary to estimate this substitution effect.

⁴⁸ Average net revenue per single-piece letter is \$0.170. USPS-T-15J at 15. $(35,438,000) (\$0.170) = \$6,024,460$. Most customers who move from letters to stamped cards are likely to be mailing letters that weigh one ounce or less. Therefore, the average revenue and volume-variable cost for letters probably is not the best quantity to use for estimating the change in net revenue. However, it is the only number that is available. Also, the cost of processing a lighter letter may decline in proportion to the revenue; if so, \$0.170 would be the proper number to use.

⁴⁹ Attributable cost per stamped card is \$0.076. USPS-T5-2(b), Attachment I. Change in net revenue = $(583,005,000) ((\$0.23 - \$0.076)) - (595,780,000) (\$0.20 - \$0.076) = \$15,906,050$.

IV. POST-OFFICE BOXES

A. Introduction

The Postal Service proposes significant increases in the fees for Group C post-office boxes in sizes 1, 2, and 3. The fee increases range from 10.6 to 12.5 percent.⁵⁰ For example, the annual fee for a size-1 box would increase from \$40 to \$45.⁵¹ This 12.5-percent increase is nearly *triple* the 4.5-percent average rate and fee increase that the Postal Service seeks in this case.⁵²

Group C boxholders comprise a large constituency. Almost 95 percent of all Group A, B, or C boxes are Group C, size 1, 2, or 3.⁵³ Nearly 63 percent of all Group A, B, or C boxes are Group C, size 1.⁵⁴ The Postal Service has failed to explain why 8.3 million boxholders should be singled out for a large fee increase that is nearly triple the average rate and fee increase that the Postal Service seeks in this case.

The Postal Service's proposed fee increase for boxes does not represent the Postal Service's first attempt to extract unreasonably high fees from boxholders. In Docket No. MC96-3, the Postal Service proposed a 25-percent fee increase for Group C, size-1 boxes.⁵⁵ The Commission rejected this fee increase, ruling that the Postal Service's arguments for "giving increased weight to demand when pricing post office boxes" were "unconvincing."⁵⁶ The Commission also noted that "Carlson and Popkin raise pertinent questions about the comparability of [post-office-box service and CMRA box service]."⁵⁷

In the current case, witness Needham merely recycles some thin, anecdotal testimony from Docket No. MC96-3 about demand for box service. She acknowledges that this case contains "no new evidence concerning demand for post office box service."⁵⁸ Unlike wine, evidence that the Commission found unconvincing a year ago does not improve with age. Therefore, by inference from the Commission's previous

⁵⁰ See USPS-T-39 at 59.

⁵¹ *Id.*

⁵² United States Postal Service *Postal News*, Release No. 64, July 1, 1997 (posted at www.usps.gov).

⁵³ See USPS-T-24 at 12, Table 7A.

⁵⁴ *Id.*

⁵⁵ Docket No. MC96-3, USPS-T-7 at 3, line 32.

⁵⁶ PRC Op. MC96-3 at 64.

⁵⁷ *Id.*

⁵⁸ Tr. 3/611 (DFC/USPS-T39-24).

1 opinion, the Postal Service's proposed fee increase for Group C, size 1, 2, and 3 boxes
2 is unjustified based on demand.

3 Witness Needham then asserts that boxholders receive an "extremely high
4 value[] of service."⁵⁹ Her use of the intensifier "extremely" was not accidental.⁶⁰ Since
5 the Postal Service is justifying this fee increase based on the supposedly "extremely"
6 high value of service, the Postal Service must prove that boxholders do, in fact, receive
7 an extremely high value of service.

8 **B. Time of Delivery**

9 Not only has the Postal Service failed to prove that boxholders receive an
10 "extremely high value of service," the Postal Service also has revealed that its
11 ratemaking staff knows little about the quality of the service that boxholders receive.
12 Specifically, witness Needham testified that businesses "may opt for box service to
13 receive their mail early in the day."⁶¹ She acknowledged that a business "probably"
14 would value receiving its mail at 8:30 AM higher than at 11:00 AM.⁶² However, the
15 Postal Service actually has no nationally collected data relating to the average or
16 typical cutoff time for distribution of mail to post-office boxes.⁶³ The Postal Service
17 volunteered that 8:30 to 9:00 AM is a "common cut-off time,"⁶⁴ but 10:00 or 11:00 also
18 could be "common" cutoff times. As I discuss below, the posted — but not the actual —
19 cutoff time for my box in Berkeley, California, is 11:00 AM. Berkeley is located in an
20 urban area approximately five miles from the Oakland P&DC, so transportation
21 constraints would not prevent an earlier cutoff time; therefore, Berkeley seemingly is a
22 typical urban city, and the cutoff time there is 11:00 AM. While businesses "may" opt
23 for box service to receive their mail early in the day, the Postal Service has not
24 provided evidence in the record sufficient to support the assertion that boxholders
25 receive their mail early enough in the day to justify the claim of an "extremely high
26 value of service."⁶⁵ Moreover, the Postal Service's claim applies only to businesses,
27 not individuals. The Postal Service also has not surveyed boxholders in regard to the

⁵⁹ USPS-T-39 at 66.

⁶⁰ See, e.g., Tr. 3/578–79 (DFC/USPS-T39-6).

⁶¹ USPS-T-39 at 61.

⁶² Tr. 3/655.

⁶³ DFC/USPS-8(b).

⁶⁴ *Id.*

⁶⁵ I do not dispute the fact that box service allows many customers to receive their mail earlier in the day than if they received it by carrier delivery. Rather, the issue here is whether boxholders uniformly receive their mail so early as to support a claim that they receive an extremely high value of service that would justify this large fee increase.

1 time by which they need their mail,⁶⁶ even though, as witness Needham acknowledges,
2 such a survey, if conducted, would demonstrate commitment to providing high-quality
3 box service.⁶⁷ The Postal Service thus has failed to demonstrate that it is consistently
4 meeting its customers' expectations or seeking feedback on its service, let alone
5 actually providing an *extremely* high value of service.

6 **C. Consistency of Delivery by Posted Time**

7 Another factor in the value of service that a boxholder receives is the
8 consistency of delivery by the cutoff time that is posted in the box lobby. Witness
9 Needham acknowledged that a customer who needs his mail early in the day would
10 value his box service higher if the mail were in his box consistently by the posted cutoff
11 time than if he had to make multiple visits to his box due to inconsistent delivery or the
12 post office's failure to meet the posted cutoff time.⁶⁸ The Postal Service has provided
13 no information, however, concerning the consistency with which post offices distribute
14 mail to the boxes by the posted cutoff time.⁶⁹ In fact, the Postal Service does not
15 require that customers be informed of the time by which mail normally will be distributed
16 to their box,⁷⁰ nor does it even have a national system for auditing or monitoring
17 distribution of box mail.⁷¹ Thus, the Postal Service is asserting that boxholders receive
18 an "extremely high value of service" even though it has not evaluated or commented on
19 this crucial aspect of the service.

20 The problems with box service that I have identified hardly are hypothetical. In
21 my post office in Berkeley, signs in the box lobby state that mail will be distributed to
22 the boxes by 11:00 AM. The accuracy of this sign perhaps is best expressed by a
23 handwritten addendum that someone has scribbled above one of the signs. It reads,
24 "1:00 — Why lie?" Indeed, boxholders cannot count on receiving their mail by 11:00
25 AM. On November 3, 1997, I visited my box during my lunch hour (at approximately
26 12:30 PM). Some first-class letters were in my box, but there were no flats. I had to
27 make a special trip to my box after work to check my mail again. When I did, I retrieved
28 my flats. Although I do not have an exact count of the number of weekdays on which I
29 have needed to make two trips, delivery is inconsistent enough that I do not have

⁶⁶ Tr. 3/664.

⁶⁷ Tr. 3/664-65.

⁶⁸ Tr. 3/656-57.

⁶⁹ DFC/USPS-9.

⁷⁰ DFC/USPS-8.

⁷¹ DFC/USPS-9.

1 confidence that I will have obtained all my mail for the day if I visit my box during my
2 lunch hour; therefore, I often wait until after work.

3 On Saturdays, the First-Class Mail *routinely* is not in my box before 12:00 or
4 12:30 PM. When I have gone to the post office around those times, the distribution to
5 my box often has been in progress. Sometimes distribution is not completed by 12:30
6 PM. Given this experience, I often do not even bother to go until after 2:00 PM
7 because I do not wish to make two 30-minute driving trips to the post office on Saturday
8 just to obtain my mail. On one Saturday in September, first-class flats were placed in
9 my box as I checked for mail at 2:30 PM. On Saturday, October 25, 1997, no mail was
10 in my box when I checked it at 11:45 AM, although my First-Class Mail was in my box
11 when I checked my box later in the day. On Saturday, December 20, 1997, additional
12 mail was placed in my box sometime after I checked it at 12:30 PM. Whether I wait
13 until late in the day to check my mail or make two trips, the value of service that I
14 receive is diminished. On the basis of consistency of box distribution, customers in
15 Berkeley certainly do not receive an "extremely high value of service."

16 Witness Needham suggested that customer feedback would provide evidence
17 about customer satisfaction with box service and the posted cutoff time.⁷² She
18 suggested that a customer could submit a Consumer Service Card if he were unhappy
19 with the existing cutoff time.⁷³ I followed witness Needham's suggestion and mailed a
20 letter to the postmaster in Berkeley on October 27, 1997, requesting consistent delivery
21 by 11:00 AM and asking that he consider setting a cutoff time earlier than 11:00 AM. In
22 the two months since I mailed that letter, service has not improved, the posted cutoff
23 time still is 11:00 AM, and the postmaster has not replied to my letter. Clearly, the
24 Postal Service in Berkeley hardly is committed to providing an "extremely high value of
25 service" to boxholders that would justify a fee increase that is nearly triple the average
26 rate and fee increase proposed in this case.

27 **D. Long Lines to Pick Up Mail**

28 In August and September 1997, I experienced another significant problem with
29 my box service in Berkeley. On several occasions, my mail volume exceeded my box
30 capacity due to the large number of flats that I was receiving during the discovery
31 phase of this case. I often was required to pick up the mail from the pick-up window.
32 On many occasions, I waited in line for over 10 minutes to pick up my mail. On one
33 day, I waited for 20 minutes, and on another day I waited for 25 minutes. Two or three

⁷² Tr. 3/664.

⁷³ *Id.*

1 times this fall, I have simply left the post office because I was unable to wait in a line
2 that obviously was at least 10 to 15 minutes long. Again, I have not received a high
3 value of service in this regard.

4 **E. Service in Other Cities**

5 The service that I received at my boxes in the California cities of Santa Cruz,
6 Walnut Creek, and Davis and in Seattle⁷⁴ was better than the service I received in
7 Berkeley, with box mail generally being delivered consistently by 9:30 AM. The service
8 in Walnut Creek was better than in Berkeley, with distribution generally completed by
9 9:30 AM, but at times service there was poor. In one memorable week in January
10 1994, during the mid-afternoon I had to plead with a supervisor to give me my mail,
11 since I had received no mail on that day and yet I could see by peering through my box
12 a tray cart full of mail sorted by box section. On another day, under the same
13 conditions, another supervisor denied that the post office had failed to distribute any
14 box mail and refused to assist me.

15 When I had a box for four years at the Sather Gate Station in Berkeley, on many
16 Saturdays I received no mail because the two window clerks also were responsible for
17 distributing the box mail, and when the line for window service became long they
18 devoted their attention to serving customers who were waiting in line. Usually I was
19 able to obtain my mail by waiting in line and then asking a clerk to sort through the mail
20 and pull my mail out; however, on one frustrating Saturday on Labor Day weekend in
21 1989, I was expecting several letters but was unable to obtain them even by waiting in
22 line because the clerk felt that the line for window service was too long. Meanwhile, I
23 could see the mail waiting to be cased, and the clerk readily acknowledged that mail
24 needed to be distributed to the boxes. I was unable to obtain my mail until Tuesday.
25 Witness Needham has acknowledged that some facilities require clerks to allocate their
26 time between window service and box distribution.⁷⁵ She acknowledges that this
27 arrangement could cause delay in the delivery of mail to the boxes.⁷⁶ Nonetheless, the
28 Postal Service has not studied or analyzed whether this situation might cause serious
29 problems that diminish the value of service that boxholders receive,⁷⁷ thus
30 undermining witness Needham's claim that boxholders receive an "extremely high
31 value of service."

⁷⁴ See Docket No. MC96-3, USPS/DFC-1(e) for a list of post-office boxes that I have used.

⁷⁵ Tr. 3/667.

⁷⁶ *Id.*

⁷⁷ *Id.*

1 **F. Conclusion**

2 In sum, the Postal Service has failed to explain why customers who hold Group
3 C, size 1, 2, or 3 boxes should be singled out for a 10.6- to 12.5-percent fee increase.
4 The Postal Service cannot base its case on demand. Moreover, the Postal Service's
5 claim that boxholders receive an "extremely high value of service" simply is
6 unsubstantiated, as the Postal Service has failed to evaluate significant issues about
7 the timeliness of delivery to boxes and other service problems. My testimony
8 admittedly describes the experience of only one person, but inferences from my
9 experiences can be drawn about the experiences of other boxholders at my facilities,
10 as my problems affected other boxholders as well. Perhaps more significantly,
11 however, my testimony provides more evidence about box service than the Postal
12 Service itself has provided in its own case. Quite simply, the Postal Service, as the
13 proponent of this large fee increase, has completely failed to meet its burden of proof.
14 Therefore, the Commission should approve either a smaller fee increase for Group C,
15 size 1, 2, and 3 boxes or no fee increase at all.

V. RETURN-RECEIPT SERVICE

16 **A. Introduction**

17 The Postal Service proposes a 32-percent increase in the fee for return receipts
18 that are purchased at the time of mailing. According to witness Plunkett, a fee increase
19 is appropriate because return receipts provide a "high" value of service.⁷⁸ In reality,
20 return-receipt service is plagued with problems, and the Commission should deny the
21 Postal Service any increase in cost coverage until service is improved to the level that
22 the Postal Service suggests that it is currently providing.

23 In DFC/USPS-T40-1, I posed a hypothetical question to witness Plunkett in
24 which a customer desired to obtain proof of delivery of a letter. For this question, I
25 asked witness Plunkett to suppose that the customer had two choices: (1) purchase
26 return-receipt service from the Postal Service or (2) not purchase return-receipt service
27 but instead enclose a self-addressed, stamped post card inside the letter; this card
28 would request that the recipient sign the post card, indicate the date of delivery and the
29 address of delivery (if the address was different), and mail the card back to the sender
30 promptly. Option (1) would cost the sender \$1.10, while option (2) would cost only
31 \$0.20 (plus the cost of the card). Witness Plunkett then explained the reasons why a

⁷⁸ USPS-T-40 at 14-15.

1 customer might prefer option (1) over option (2). According to witness Plunkett, the
2 following characteristics of return-receipt service contribute to the value of the service:

- 3 • By acting as a disinterested third party in confirming the date on which a piece of
4 mail was delivered, the Postal Service removes an opportunity for a recipient to
5 benefit from providing false information about the date of delivery⁷⁹;
- 6 • The Postal Service retains possession of the mail piece until the recipient signs
7 the return receipt⁸⁰; and
- 8 • *Postal Operations Manual* § 822.112 requires the Postal Service to mail the
9 return receipt back to the sender within one work day after delivery.⁸¹

10 As I will show, return-receipt service suffers from service problems that prevent
11 customers from enjoying these characteristics that comprise the value of the service.

12 **B. Service Problems**

13 As the Postal Service notes, many customers use return-receipt service when
14 they have a less-than-cordial relationship with the recipient and require accurate proof
15 of the date on which the recipient received the letter.⁸² I, for example, use return-
16 receipt service only when I need proof of receipt and have some reason to suspect that
17 the recipient will negligently or intentionally fail to acknowledge receipt. To be useful in
18 a legal proceeding, a receipt that purports to provide proof of delivery should have a
19 legible or recognizable signature — particularly if the recipient is a large business — as
20 well as the actual date of delivery. I have heard, for example, that judges in small-
21 claims courts may deem an absent defendant not to have been properly served with
22 notice of the hearing if the defendant was served by mail but the signature on the return
23 receipt is not legible. The actual date of delivery may be critical if the sender later tries
24 to prove that the recipient was aware of a situation or problem as of a certain date.

25 In my experience, the Postal Service does not consistently provide the sender
26 with a legible, useful signature. Noting that some people's signatures simply are not
27 legible, the Postal Service apparently tried to provide better service by adding a block
28 on the Form 3811, Domestic Return Receipt, for the recipient to print his name. The
29 Postal Service considers this block to be a service enhancement that is "particularly

⁷⁹ Tr. 3/848–50 (DFC/USPS-T40-1(b) and (c)).

⁸⁰ Tr. 3/865 (DFC/USPS-T40-15(b)).

⁸¹ Tr. 3/869 (DFC/USPS-T40-19(b)).

⁸² See Tr. 3/848–50 (DFC/USPS-T40-1(b)).

1 valuable to the sender if the recipient's signature is illegible."⁸³ The Postal Service
2 also has argued that this "print name" box has increased the value of return-receipt
3 service.⁸⁴

4 No postal employee has ever asked me to print my name in the "print name"
5 block on a return receipt. For example, during Docket No. MC96-3, the Postal Service
6 sent me 11 flats via certified mail, return receipt requested. The delivery employees
7 never requested that I print my name. In 1997, I have signed at least four more return
8 receipts; once again, I was not asked to print my name. During the summer, in the
9 course of my work at the university, I mailed a warning letter to a student via certified
10 mail, return receipt requested, since I wanted proof that this student received the letter.
11 The return receipt arrived with a signature that was so scribbled that it was illegible
12 except to the extent that the signature appeared to belong to someone other than the
13 student. The "print name" block was empty. I would have had a difficult time using this
14 return receipt as proof that someone in the student's household signed for the letter.

15 At the Commission hearing on October 7, 1997, witness Plunkett confirmed that,
16 of 16 return receipts that David Popkin had received recently, almost all were filled out
17 incorrectly, with most return receipts missing the printed name and others missing a
18 date of delivery or a date of delivery that included the year.⁸⁵ In sum, all the return
19 receipts that I have received and signed have not shown a printed name, and most of
20 the return receipts that Mr. Popkin discussed with witness Plunkett were filled out
21 incorrectly, often lacking the critical date information. Almost *all* our return receipts
22 have been filled out incorrectly. Clearly, a problem exists with return-receipt service.

23 Earlier this year, I discussed return-receipt service with my brother, who is an
24 attorney in Boston. He was very interested in my plan to oppose fee increases for
25 return receipt until the Postal Service improves the service. In fact, he told me that he
26 was upset with the poor service he receives for mail that he sends via certified mail,
27 return receipt requested, for his clients. Return receipts for mail that he sends to the
28 Internal Revenue Service in Holtsville, New York, and Andover, Massachusetts, and to
29 other large-volume recipients in Boston often do not arrive back at his office for several
30 days — many more days than he considers reasonable. In addition, contrary to
31 witness Plunkett's claim,⁸⁶ my brother — as well as many other customers of return-

⁸³ Docket No. MC96-3, Postal Service Initial Brief at 92.

⁸⁴ *Id.*

⁸⁵ Tr. 3/993-1000.

⁸⁶ Tr. 3/865 (USPS-T-40 at 15).

1 receipt service — does not have a reasonable selection of alternatives. While he must
2 protect his clients by obtaining proof of delivery, his only alternative is Express Mail, but
3 Express Mail is so much more expensive than return-receipt service that it is not a
4 practical alternative; besides, while Express Mail provides electronic and telephone
5 delivery confirmation, it does not provide a signed return receipt. My brother even tried
6 Express Mail, return receipt requested, about a dozen times and never received the
7 return receipt.

8 As witness Plunkett acknowledged, customers often use return-receipt service
9 because the Postal Service supposedly acts as a “disinterested third party” in
10 confirming the date on which an article was delivered.⁸⁷ Customers often do not view
11 their relationship with the recipient as cordial.⁸⁸ This situation likely applies with some
12 force, consistency, and uniformity when customers request a return receipt when they
13 mail their state and federal tax returns. Unfortunately, not only does the Postal Service
14 fail to provide the independent acknowledgement of delivery that customers are
15 expecting, the return receipts often are returned late, thus failing to provide another
16 aspect of the service that distinguishes return-receipt service from the less-expensive
17 option (2), the self-addressed post card, in my hypothetical question.⁸⁹

18 **C. David Popkin’s Tax Returns**

19 On March 18, 1997, David Popkin mailed his federal tax return to Holtsville, New
20 York, and his state tax return to Trenton, New Jersey, via certified mail, return receipt
21 requested. As the correspondence contained in LR-DFC-2 indicates, the Postal
22 Service turned the return receipts over to the recipient tax agencies and allowed them
23 to complete the return receipts on their own, not under the supervision of the Postal
24 Service, thus failing to ensure that a “disinterested third party” — the Postal Service —
25 attested to the date of delivery.⁹⁰ Indeed, Mr. Popkin’s Form 3811, Domestic Return
26 Receipt, indicates a date of delivery in Holtsville of March 24, 1997, but the Form 3811-
27 A, Request for Return Receipt (After Mailing), which was completed based on the
28 Postal Service’s delivery record, shows March 20, 1997.⁹¹ Thus, the precise danger
29 that the Postal Service’s procedure in Holtsville poses did, in fact, occur, and the Postal
30 Service failed to provide the service that Mr. Popkin purchased.

⁸⁷ Tr. 3/850 (DFC/USPS-T40-1(c)).

⁸⁸ Tr. 3/848–49 (DFC/USPS-T40-1(b)).

⁸⁹ Tr. 3/848–50 (DFC/USPS-T40-1).

⁹⁰ See LR-DFC-2 at 1C and 2C.

⁹¹ LR-DFC-2 at 1C.

1 The procedures in Trenton are even more alarming. The Trenton postmaster
2 writes that the Postal Service actually is "unfamiliar with the procedures" that the New
3 Jersey Division of Taxation uses to process return receipts once the mail leaves the
4 Trenton P&DC.⁹² Customers who purchase return-receipt service surely are not
5 expecting that the party against whom they are trying to protect themselves has
6 complete and unsupervised responsibility for processing the return receipts.
7 Unfortunately, however, the Postal Service's procedures for processing return receipts
8 in Holtsville and Trenton inflict a fraud on postal customers.

9 **D. Fresno IRS Service Center**

10 In this docket, the Postal Service has refused to acknowledge the existence of
11 these delivery arrangements⁹³ for return-receipt mail that violate its own procedures
12 and clearly lower the value of service that customers receive. In response, on
13 December 16, 1997, I took a tour of the Internal Revenue Service Center in Fresno,
14 California. During my tour, I spoke with an IRS employee who works in the "extracting"
15 room. Workers in the extracting unit remove tax returns from envelopes after the
16 envelopes have been sorted in the IRS' mail room. Over 100 employees work in this
17 large room during peak processing season. According to this employee, envelopes
18 arrive in the extracting unit with the green return receipts still attached. After the
19 employees remove the contents, these envelopes are returned to the mail room, where
20 IRS employees detach the return receipts, stamp them with a date, and return them to
21 the Postal Service. In a separate, private conversation, I confirmed this process with
22 the knowledgeable public-relations person who arranged my tour. During peak season,
23 she added, a few days may pass between an envelope's delivery to the IRS and its
24 arrival in the IRS' mail room or extracting unit. Thus, the date that the IRS stamps on
25 the return receipt seemingly will not necessarily be the actual date of delivery. Indeed,
26 Mr. Popkin's return receipt appears to have suffered this fate in Holtsville. Also, my
27 brother noted that the date that the IRS Service Center in Holtsville stamps on his
28 return receipts often is several days later than the date on which the letter should have
29 arrived based on normal mail delivery times. My brother is concerned that a later-than-
30 expected date on the return receipt suggests that he did not mail the envelope on time.

31 While my testimony discusses only three addressees, these agencies receive
32 millions of pieces of mail each year. Moreover, the number of letters to which return
33 receipts are attached is so high that the postmaster in Trenton considers the volume to

⁹² LR-DFC-2 at 2C.

⁹³ See Tr. 3/866-68 (DFC/USPS-T40-16-18).

1 be “overwhelming.”⁹⁴ One can only wonder whether other large-volume recipients —
2 such as the IRS Service Centers in Memphis, Philadelphia, and Kansas City, the
3 Franchise Tax Board in Sacramento, or other state tax agencies — employ similar
4 procedures in agreement with their local post office. The Postal Service’s procedures
5 differ tremendously from the requirements of DMM § D042.1.7, which specify that the
6 addressee may “look at” a piece of accountable mail while the mail piece is being “held
7 by the USPS employee” and that the “mailpiece may not be opened or given to the
8 recipient before the recipient . . . legibly prints his or her name on the delivery receipt
9 (and return receipt, if applicable) and returns the receipt(s) to the USPS employee.”
10 Unfortunately, the Postal Service has responded to the challenges inherent in
11 delivering a large volume of accountable mail by ignoring the DMM regulations and
12 denying the sender — the *customer* of return-receipt service — the service for which he
13 paid \$1.10. The Postal Service perhaps has a right to respond to this challenge by
14 denying customers the service for which they paid; however, the Postal Service cannot
15 then ask the Commission for a 32-percent fee increase by claiming that return receipts
16 provide a high value of service that is not adequately reflected in the current cost
17 coverage.

18 **E. Address-Change Information**

19 Finally, as part of its case for a fee increase, the Postal Service notes that it is
20 adding to the Form 3811 a box for the delivery employee to check to indicate that the
21 recipient’s address has not changed.⁹⁵ The Postal Service suggests that this check-off
22 box will add value to the service.⁹⁶ For two reasons, this added value may be illusory.

23 First, as the Commission noted in its opinion in Docket No. MC96-3, 98 percent
24 of non-merchandise users of return receipt did not purchase address-correction service
25 when that service was available for an additional 40 cents.⁹⁷ The Commission noted
26 that customers were not likely to find the address information more worthwhile in the
27 future, either.⁹⁸ The Postal Service itself has *no* evidence to indicate the percentage of
28 customers for whom the address information is of *any* positive value.⁹⁹ While a Form
29 3811 that has a check-off box will provide better information to those customers who
30 care about address information than a Form 3811 that does not have a check-off box,

⁹⁴ LR-DFC-2 at 2C.

⁹⁵ USPS-T-40 at 11.

⁹⁶ USPS-T-40 at 14.

⁹⁷ PRC Op. MC96-3 at 110.

⁹⁸ *Id.*

⁹⁹ Tr. 3/853 (DFC/USPS-T40-4); *see also* Tr. 3/851–52 (DFC/USPS-T40-2–3).

1 the address information nevertheless is of questionable value to most customers.
2 Without better evidence, the Postal Service cannot base a fee increase on the added
3 value of the address information.

4 Second, I am concerned that postal employees may not, in fact, be consistently
5 providing the address information on return receipts, just as they have failed to
6 implement use of the "print name" block. Four months ago, a delivery employee in
7 Berkeley was so poorly trained that he handed me a certified letter after I signed for it
8 and would have allowed me to walk away with the return receipt still attached to the
9 envelope; only because I stopped and asked him whether I should sign, detach, and
10 return the green Form 3811 to him did the sender receive his return receipt. I seriously
11 doubt that this employee would have completed my new address on the return receipt if
12 that letter had been forwarded.

13 Recently, I asked a window clerk the fee for sending a return receipt that would
14 provide me with the address of delivery. She punched a few buttons on her integrated
15 retail terminal (IRT), then replied, "\$2.75." I looked at the terminal display and saw that
16 "restricted delivery" was lit. I replied by stating my belief that restricted delivery was a
17 different service that was not applicable here. Puzzled, she pushed more buttons on
18 the IRT, then asked a woman who is either a manager or supervisor who was standing
19 nearby closing the post office at 5:00 PM. This woman stated that I would need to
20 purchase restricted delivery if I wanted more information than just the signature and
21 date of delivery. Her information, of course, was incorrect. One can only wonder
22 whether delivery personnel at this post office began automatically providing address
23 information on return receipts after the reclassification took effect on June 8, 1997.

24 I attempted to test the provision of address information. In August 1997, I filed a
25 series of change-of-address orders for my Emeryville post-office box to forward mail to
26 various addresses. A correspondent mailed me three letters via certified mail, return
27 receipt requested, from early to mid-September. The Emeryville post office failed to
28 forward these letters or to place a notice in my box. Rather, the Emeryville post office
29 held the letters until mid-October, two weeks after my final forwarding order ended, until
30 a day after I complained to a manager about my missing letters; only at that point did a
31 pickup notice arrive in my box. In November, I tried again, this time with another post-
32 office box. That post office completely ignored my change-of-address order, instead
33 continuing to deliver mail to my box.

1 **F. Conclusion**

2 The Commission is not charged with general oversight of Postal Service
3 operations. However, when the Postal Service seeks a fee increase based on the
4 value of the service, the level of service that customers receive is relevant. Return-
5 receipt service is intermittent and, often, poor, frustrating customers who purchase this
6 premium service. In 1996, Consumer Service Cards recorded 4,689 complaints about
7 return-receipt service;¹⁰⁰ the actual number of complaints likely is much higher.¹⁰¹
8 Contrary to witness Plunkett's suggestion, duplicate return receipts are not a solution
9 for customers who receive poor return-receipt service. First, to file for a duplicate
10 return receipt, a customer must wait in line at the post office — often a major
11 inconvenience. Second, in the case of the IRS, customers must first suspect that the
12 date on their return receipt is incorrect and then be aware that a duplicate return
13 receipt would be completed based on a separate, possibly-more-accurate delivery
14 record. Third, the duplicate return receipt is free only if the mailer chose to have his
15 mailing receipt date-stamped; otherwise, he must pay \$6.60. Fourth, for Mr. Popkin's
16 state tax return, even the duplicate return receipt was routed to the agency against
17 whom he was trying to protect himself when he purchased return-receipt service.¹⁰²

18 Before the Commission recommends an increased cost coverage for return
19 receipt, the Commission should require the Postal Service to conduct a study on the
20 quality of return-receipt service, as the Commission suggested in Docket No. R90-1.¹⁰³
21 Since the Postal Service refuses in rate proceedings even to acknowledge the
22 problems that exist with return-receipt service, the Commission should withhold an
23 increase in the cost coverage until the Postal Service has provided reliable evidence
24 substantiating its claims about the high value of this service. The time has come to
25 hold the Postal Service accountable for its poor return-receipt service.

¹⁰⁰ DFC/USPS-29 at 3.

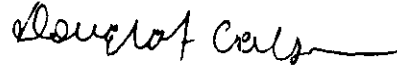
¹⁰¹ In the past year or so, eight of my Consumer Service Cards — almost all that I submitted during this time period — were ignored. The procedures described in DFC/USPS-15, which lead to recording of Consumer Service Card data, were not followed, thus casting doubt on the accuracy of Consumer Service Card data as representative of the number of complaints from customers on any subject.

¹⁰² LR-DFC-2 at 2B.

¹⁰³ PRC Op. R90-1 at ¶ 6576, fn. 10.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the *Rules of Practice* and section 3(B) of the *Special Rules of Practice*.

A handwritten signature in cursive script, reading "Douglas F. Carlson", written over a horizontal line.

DOUGLAS F. CARLSON

December 29, 1997
Emeryville, California